MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BFN2074 - PUBLIC FINANCE

(All sections / Groups)

12 JULY 2023
9:00 a.m. – 11:00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Questions paper consists of 3 pages, including the cover page.
2. Attempt **ALL THREE** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (40 MARKS)

The government is considering implementing a new public transportation project called MRT The Future. The project is estimated to cost RM10 million and is expected to provide the following benefits:

Year 1: RM5 million	Year 4: RM4 million
Year 2: RM8 million	Year 5: RM3 million
Year 3: RM6 million	

a) Compute the total net benefit of the project over the 5-year period, assuming a discount rate of 5%. Show the present value of the benefit each year. **(14 marks)**

b) However, it has been reported that there was an increased in the costs. The actual cost borne by the government is RM85 million. Compute the actual total net benefit and state your opinion on this situation. **(6 marks)**

c) Discuss the implications of the government inefficiency on this MRT The Future project. **(20 marks)**

QUESTION 2 (30 MARKS)

a) Social Security is a government program designed to provide financial support and protection to individuals and families in times of retirement, disability, and death. Critically discuss four challenges face by the government in providing the social security to its citizens. **(20 marks)**

b) Poverty can hinder economic growth and development by limiting human capital formation, productivity and consumption. Discuss three of the government policies in reducing the poverty in Malaysia. **(10 marks)**

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QUESTION 3 (30 MARKS)

National poverty line estimates indicated a poverty incidence of 27.5% in 2004-2005, implying that over one quarter of the population in India lives below the poverty line. India still has 301.7 million poor persons with a significant percentage of them being substantially or severely poor in terms of the norms identified as being necessary for survival. The significance of India in the context of world poverty is apparent given the fact that around half of the world's poor live in South Asia and of the 534 million people in South Asia who lived on less than $1 per day in 2003, over 300 million lived in India. It was estimated that over 430 million (37.2%) below the poverty line based on a bundle of deprivations. In terms of non-income dimensions of poverty too, such as infant and maternal mortality rates, literacy levels and gender inequalities, India continues to display 'intense poverty'.

While economic growth is a powerful tool for poverty reduction, the impact of higher growth on poverty reduction depends significantly on the pattern of growth and levels of inequality. Owing to rapid growth in recent years, the Indian economy has to undergo significant structural changes. Inclusive growth therefore become a major policy priority and is defined as a process whereby the benefits of growth are shared by a vast proportion of the population. Inclusive growth needs to be achieved to reduce poverty and other disparities and raise economic growth. Three critical strategies and policy interventions for poverty reduction have emerged, which are aimed at enhancing availability and access to the following three types of infrastructure; there are physical infrastructure (roads, electricity, irrigation), economic infrastructure (financial services) and social infrastructure (education and health).

Source: Understanding Poverty in India, ADB (2011)

a) Describe the positive economic base on the case study. **(15 marks)**

b) Discuss the actions should be taken by the government in term of normative economic. **(15 marks)**

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